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融太集團股份有限公司
MAGNUS CONCORDIA GROUP LTD
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1172)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Magnus Concordia Group Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 with the corresponding comparative figures as follows:

FINANCIAL HIGHLIGHTS			
	For the six months ended		
	30 September 2022	30 September 2021	Change
Revenue	HK\$144 million	HK\$191 million	-25%
Gross profit	HK\$20 million	HK\$30 million	-33%
Loss attributable to owners of the Company	HK\$(173) million	HK\$(97) million	78%
Loss per share	(2.99) HK cents	(1.67) HK cents	79%
	As at		
	30 September 2022	31 March 2022	Change
Shareholders’ funds	HK\$440 million	HK\$653 million	-33%
Net asset value per share	HK\$0.08	HK\$0.11	-27%

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue	4	143,680	190,569
Cost of sales		(123,351)	(160,495)
Gross profit		20,329	30,074
Other income, expense and net gains	4	912	2,289
Selling and marketing expenses		(12,164)	(14,451)
Administrative and other operating expenses		(26,246)	(24,728)
Impairment of stock of properties	5	(153,489)	(219,293)
Change in fair value of investment properties		(7,083)	(205)
Fair value change of financial assets at fair value through profit or loss		(654)	(462)
Operating loss	6	(178,395)	(226,776)
Finance costs	7	(964)	(1,072)
Loss before tax		(179,359)	(227,848)
Income tax credit	8	6,632	131,213
Loss for the period		(172,727)	(96,635)
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	9	(2.99)	(1.67)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(172,727)	(96,635)
Other comprehensive (loss)/income		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(39,503)</u>	<u>11,008</u>
Total comprehensive loss for the period attributable to owners of the Company	<u>(212,230)</u>	<u>(85,627)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

	<i>Notes</i>	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment		20,322	23,332
Investment properties		386,600	406,717
Other non-current assets		23,007	24,327
Total non-current assets		429,929	454,376
Current Assets			
Inventories		14,681	18,961
Properties under development		371,502	455,243
Completed properties for sale		206,528	294,011
Accounts receivable	11	71,660	53,087
Prepayments, other receivables and other assets		165,598	182,090
Financial assets at fair value through profit or loss		975	1,628
Restricted bank balances		7,337	14,934
Cash and bank balances		31,007	54,082
Total current assets		869,288	1,074,036
Current Liabilities			
Accounts payable	12	148,574	161,548
Accrued charges and other payables		42,606	52,562
Contract liabilities		154,449	99,811
Bank borrowings		170,004	175,319
Tax payable		298,227	337,683
Lease liabilities		1,278	1,434
Total current liabilities		815,138	828,357
Net Current Assets		54,150	245,679
Total Assets Less Current Liabilities		484,079	700,055

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-Current Liabilities		
Deferred tax liabilities	43,280	46,413
Lease liabilities	487	1,100
	<u>43,767</u>	<u>47,513</u>
Total non-current liabilities	<u>43,767</u>	<u>47,513</u>
Net assets	<u>440,312</u>	<u>652,542</u>
Equity		
Equity attributable to owners of the Company		
Share capital	577,920	577,920
(Deficit)/reserves	(137,608)	74,622
	<u>440,312</u>	<u>652,542</u>
Total equity	<u>440,312</u>	<u>652,542</u>

NOTES

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of accounting policies and disclosures as disclosed in Note 2. The Group has not early adopted any other new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that have been issued but are not yet effective.

Going Concern basis

During the six months ended 30 September 2022, the Group had a net loss of HK\$172,727,000 and an operating cash outflow of HK\$20,392,000. In addition, the Group’s bank loans with the aggregate amount of HK\$170,004,000 as at 30 September 2022 contain a repayment on demand clause and included in the aforesaid bank loans there were certain bank loans of HK\$164,586,000 with financial covenants breached during the six months ended 30 September 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 September 2022 and subsequently thereto up to the date when the condensed consolidated financial statements are authorised for issue. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the condensed consolidated financial statements are authorised for issue, which include, but are not limited to, the followings:

- (i) in relation to the borrowings that breached the financial covenants during the six months ended 30 September 2022 are classified as current liabilities, and as disclosed in note 13, the Group further entered into a legally binding supplemental agreement with the bank on 24 November 2022 for amendments of the relevant financial covenants of one of the aforesaid borrowings, and the Group did not breach the latest financial covenants of such borrowing with carrying amount of HK\$128,000,000. The repayment schedules of the borrowing and the repayment on demand clause remained unchanged. The Group is actively negotiating with the bank to remedy or waive the breached covenants of the remaining borrowing of HK\$36,586,000;
- (ii) the Group has actively carried out promotional activities to attract more customers to purchase the completed properties and/or properties under development in order to increase the sale proceeds through sales or pre-sales in the coming twelve months. The directors of the Company thus are of the opinion that the property development segment will be able to generate operating cash inflow to the Group in the coming twelve months;

- (iii) the Group will also continue to seek for other alternative financing and bank borrowing to finance the settlement of the existing financial obligations and future operating and capital expenditure; and
- (iv) the Group will also continue to seek for other alternative to increase its working capital such as disposing of the Group's investment properties, if needed.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are optimistic that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 30 September 2022. Accordingly, the condensed consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

2. ADOPTION OF ACCOUNTING POLICIES AND DISCLOSURES

The unaudited interim condensed consolidated financial information has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became applicable during the current period, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 are the same as those adopted in the Group's annual financial statements for the year ended 31 March 2022.

(a) Adoption of the new and revised HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information by business lines

The operating segments of the Group are determined based on internal reporting to the Group's chief operating decision maker (“**CODM**”) (the executive directors of the Company) for the purposes of assessing performance and allocating resources. The internal reporting focuses on the strategic operation and development of each business unit, of which business units with similar economic characteristics are organised into an operating segment for the Group's CODM to evaluate its performance.

The Group's operating and reportable segments are as follows:

Property development	—	Development, sale and trading of real estate properties
Printing	—	Manufacture and sale of printed products
Property investment	—	Investment and leasing of real estate properties
Treasury	—	Investment and trading of debts, equity and other instruments, and asset management

The Group's CODM assesses the performance of the operating segments based on a measure of earnings or loss before interest expense and tax (“**EBIT**” or “**LBIT**”), representing segment results and earnings or loss before interest expense, tax, depreciation and amortisation (“**EBITDA**” or “**LBITDA**”).

Unallocated assets mainly include cash and bank balances, short-term deposits, property, plant and equipment that are managed on a group basis.

Unallocated liabilities mainly include bank borrowings that are managed on a group basis.

The segment information by business lines is as follows:

	Property development <i>HK\$'000</i>	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended					
30 September 2022 (unaudited)					
Segment revenue					
Sales to external customers	35,314	105,630	2,736	–	143,680
Other revenue	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total revenue	<u>35,314</u>	<u>105,630</u>	<u>2,736</u>	<u>–</u>	<u>143,680</u>
(LBITDA)/EBITDA	(162,165)	5,755	(6,162)	(1,248)	(163,820)
Depreciation	(30)	(2,529)	(80)	–	(2,639)
	<u>(30)</u>	<u>(2,529)</u>	<u>(80)</u>	<u>–</u>	<u>(2,639)</u>
Segment result — (LBIT)/EBIT	<u>(162,195)</u>	<u>3,226</u>	<u>(6,242)</u>	<u>(1,248)</u>	<u>(166,459)</u>
Unallocated expenses, net					(11,936)
Finance costs					<u>(964)</u>
Loss before tax					(179,359)
Income tax credit					<u>6,632</u>
Loss for the period					<u>(172,727)</u>

	Property development <i>HK\$'000</i>	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended					
30 September 2021 (unaudited)					
Segment revenue					
Sales to external customers	45,808	137,329	5,483	–	188,620
Other revenue	–	654	–	1,295	1,949
	<u>45,808</u>	<u>137,983</u>	<u>5,483</u>	<u>1,295</u>	<u>190,569</u>
Total revenue	<u>45,808</u>	<u>137,983</u>	<u>5,483</u>	<u>1,295</u>	<u>190,569</u>
(LBITDA)/EBITDA	(227,799)	8,705	4,517	505	(214,072)
Depreciation	<u>(51)</u>	<u>(3,204)</u>	<u>(81)</u>	<u>–</u>	<u>(3,336)</u>
Segment result — (LBIT)/EBIT	<u>(227,850)</u>	<u>5,501</u>	<u>4,436</u>	<u>505</u>	<u>(217,408)</u>
Unallocated expenses, net					(9,368)
Finance costs					<u>(1,072)</u>
Loss before tax					(227,848)
Income tax credit					<u>131,213</u>
Loss for the period					<u>(96,635)</u>
	Property development <i>HK\$'000</i>	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2022 (unaudited)					
Reportable segment assets	<u>737,773</u>	<u>122,292</u>	<u>414,200</u>	<u>1,592</u>	<u>1,275,857</u>
Unallocated assets					<u>23,360</u>
Consolidated total assets					<u>1,299,217</u>
Reportable segment liabilities	<u>589,934</u>	<u>99,036</u>	<u>38,408</u>	<u>156</u>	<u>727,534</u>
Unallocated liabilities					<u>131,371</u>
Consolidated total liabilities					<u>858,905</u>
As at 31 March 2022 (audited)					
Reportable segment assets	<u>929,019</u>	<u>128,906</u>	<u>436,758</u>	<u>2,537</u>	<u>1,497,220</u>
Unallocated assets					<u>31,192</u>
Consolidated total assets					<u>1,528,412</u>
Reportable segment liabilities	<u>594,709</u>	<u>103,385</u>	<u>42,153</u>	<u>141</u>	<u>740,388</u>
Unallocated liabilities					<u>135,482</u>
Consolidated total liabilities					<u>875,870</u>

Geographical segment information

The business of the Group operates in different geographical areas. Revenue is presented by the regions where customers are located. The segment information by geographical area is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Mainland China	48,695	71,386
Hong Kong	4,068	7,762
United States of America	46,317	55,654
United Kingdom	19,370	15,948
France	6,259	13,956
Japan	5,222	6,489
Other regions	11,013	12,596
	<u>140,944</u>	<u>183,791</u>
Revenue from other sources		
Mainland China	673	3,440
Hong Kong	2,063	3,338
	<u>2,736</u>	<u>6,778</u>
Total revenue	<u><u>143,680</u></u>	<u><u>190,569</u></u>

4. REVENUE, OTHER INCOME, EXPENSE AND NET GAINS

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	35,314	45,808
Sale of printed products	105,630	137,329
Others	–	654
	<u>140,944</u>	<u>183,791</u>
Revenue from other sources		
Rental income	2,736	5,483
Interest income from financial assets at fair value through profit or loss	–	1,295
	<u>2,736</u>	<u>6,778</u>
Total revenue	<u>143,680</u>	<u>190,569</u>

Revenue from the sale of goods is recognised at a point in time when the goods are transferred and the control has been passed to customers, since only at that point in time the Group has an enforceable right to payment for the goods delivered.

Revenue from the sale of properties is recognised when the properties have been completed and delivered to the buyers.

During the six months ended 30 September 2022, certain tenants of investment properties located in the People's Republic of China (“PRC”) were not financially able to settle the rental. Due to this situation, the respective rental of HK\$1,961,000 was not recognised as rental income during the period.

An analysis of other income, expense and net gains is as follows:

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	49	258
Sales of scrap material	124	431
Gain on disposal of items of property, plant and equipment	80	2,235
Net exchange gain/(loss)	2,123	(414)
Impairment of accounts receivable	(612)	–
Sundries	(852)	(221)
	<u>912</u>	<u>2,289</u>

5. IMPAIRMENT OF STOCK OF PROPERTIES

An analysis of impairment of stock of properties is as follow:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment of properties under development	64,682	211,150
Impairment of completed properties for sale	88,807	8,143
	<u>153,489</u>	<u>219,293</u>

6. OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	3,328	4,441
Less: Amount included in cost of inventories sold for printing business	(1,236)	(2,445)
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	2,092	1,996
Cost of inventories sold	85,522	114,057
Cost of properties sold	37,480	45,310
Government subsidies *	259	–

* There is no unfulfilled conditions or contingencies relating to the subsidies.

7. FINANCE COSTS

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	2,554	2,393
Interest on lease liabilities	27	64
Interest arising from revenue contracts	<u>1,365</u>	<u>5,938</u>
Total interest	3,946	8,395
Less: Interest capitalised in properties under development	<u>(2,982)</u>	<u>(7,323)</u>
Total finance costs	<u><u>964</u></u>	<u><u>1,072</u></u>

8. INCOME TAX

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax — Mainland China		
Corporate income tax	95	471
Land appreciation tax	—	—
Overprovision in prior years	(5,747)	(9,177)
Deferred tax	<u>(980)</u>	<u>(122,507)</u>
Tax credit for the period	<u><u>(6,632)</u></u>	<u><u>(131,213)</u></u>

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$172,727,000 (2021: HK\$96,635,000) and the number of ordinary shares of 5,779,196,660 (2021: 5,779,196,660) in issue during the period.

The diluted loss per share is equal to the basic loss per share since there were no potential shares during both periods.

10. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: nil).

11. ACCOUNTS RECEIVABLE

The Group allows a credit period ranging from 30 days to 180 days to its trade customers of the printing business. Rental income is received in advance. Proceeds from sales of properties are received in advance or upon delivery of the completed properties to customers. For customer with long-term business relationship, a longer credit period may be granted. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable (mainly arising from printing business) based on invoices date and net of loss allowance at the end of reporting period is as follows:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Within 30 days	16,091	21,588
31 to 60 days	14,472	3,427
61 to 90 days	15,752	8,293
Over 90 days	25,345	19,779
	<u>71,660</u>	<u>53,087</u>

12. ACCOUNTS PAYABLE

An ageing analysis of accounts payable at the end of reporting period based on the date of suppliers' invoices is as follows:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Within 30 days	79,315	110,059
31 to 60 days	19,581	8,335
61 to 90 days	10,108	19,695
Over 90 days	39,570	23,459
	<u>148,574</u>	<u>161,548</u>

13. EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK\$128,000,000 which the Group breached financial covenants during the six months ended 30 September 2022, the Group further entered into a legally binding supplemental agreement with the bank on 24 November 2022 for amendments of the relevant financial covenants, and the Group did not breach the latest financial covenants. The repayment schedules of the borrowing and the repayment on demand clause remained unchanged.

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the six months ended 30 September 2022, the Group recorded a consolidated revenue of approximately HK\$144 million (2021: HK\$191 million), representing a decrease of 25% from the last corresponding period. The revenue of the printing business recorded a decrease to approximately HK\$106 million (2021: HK\$137 million) for the period, resulting from the soft demand of printed products caused by the decelerating economic growth momentum under the high inflation in Europe and the United States of America during the period. Also, as there was no scheduled bulk delivery of the presold properties in respect of the property development project in Zigong City, Sichuan Province, the PRC during the period, the revenue contributed from the sales of completed residential units decreased to approximately HK\$35 million when compared with revenue of approximately HK\$46 million of the last corresponding period.

Consequently, the Group's gross profit decreased by 33% from the last corresponding period to approximately HK\$20 million (2021: HK\$30 million). The Group's gross margin decreased to 14% (2021: 16%) of the consolidated revenue, resulting from a lower gross margin contribution from the residential units sold in Zigong City.

During the period, a provision for impairment of stock of properties of approximately HK\$153 million (2021: HK\$219 million) was charged to the consolidated income statement for the property development project in Zigong City. Liquidity issues of numerous property developers continued to arise in the current interim period, as well as the tightening regulatory measures had scaled down the overall real estate market in Mainland China by a significant year-on-year drop in contracted residential property sales, especially impacted those property developers of non-first-tier cities by triggering price discounting to spur home sales and recoup cash. Moreover, the escalating construction costs inflation arising from ongoing global supply chain disruption further deteriorated the gross margin of property developers. Consequently, the estimated gross margin of our high-end residential villas and car parks in Zigong City was being particularly affected and an excess of carrying values of the properties over their recoverable amounts was resulted. Accordingly, a provision for impairment on the stock of properties was made as at 30 September 2022 in accordance with the relevant accounting policies of the Company.

The Group's selling and marketing expenses decreased to approximately HK\$12 million (2021: HK\$14 million), which was corresponded to the drop in revenue during the period. The administrative and other operating expenses maintained at similar level of approximately HK\$26 million (2021: HK\$25 million).

The Group's other income, expense and net gains and fair value change of financial assets at fair value through profit or loss amounted to approximately HK\$0.3 million (2021: HK\$2 million). The amount mainly included the gain on disposal of property, plant and equipment of approximately HK\$0.1 million (2021: HK\$2 million), the fair value drop on mark-to-market valuation of quoted bonds of approximately HK\$0.7 million (2021: HK\$0.5 million), the impairment of account receivables of approximately HK\$0.6 million (2021: nil), and net exchange gain of approximately HK\$2 million (2021: loss of approximately HK\$0.4 million).

The fair value loss from revaluation of investment properties as at 30 September 2022 amounted to approximately HK\$7 million (2021: HK\$0.2 million). The market values of certain investment properties as at 30 September 2022 were being affected by the weak market sentiment resulting from the temporary quarantine measures for the novel coronavirus, despite that stable rental income continues to be generated from such properties.

The Group's finance costs recorded approximately HK\$1 million (2021: HK\$1 million), which were mainly related to interest charged by bank borrowings to finance the general working capital of the Group during the period.

During the period, the Group recorded a loss before tax of approximately HK\$179 million (2021: HK\$228 million), which was attributed to the following operating segments and factors:

- (i) Property development — loss of approximately HK\$162 million (2021: HK\$228 million);
- (ii) Printing — profit of approximately HK\$3 million (2021: HK\$6 million);
- (iii) Property investment — loss of approximately HK\$6 million (2021: profit of approximately HK\$4 million);
- (iv) Treasury — loss of approximately HK\$1 million (2021: profit of approximately HK\$0.5 million);
- (v) Net unallocated expenses of approximately HK\$12 million (2021: HK\$9 million); and
- (vi) Finance costs of approximately HK\$1 million (2021: HK\$1 million).

Loss for the period attributable to owners of the Company amounted to approximately HK\$173 million (2021: HK\$97 million), and loss per share was 2.99 HK cents (2021: 1.67 HK cents). The increase in the Group's loss was mainly affected by the net loss after taxation of approximately HK\$158 million (2021: net loss after taxation of approximately HK\$96 million) of the property development business, resulting from the provision for impairment of stock of properties made as at 30 September 2022 for the property development project in Zigong City.

Review of financial position

Regarding the Group's financial position as at 30 September 2022, total assets decreased by 15% to approximately HK\$1,299 million (31 March 2022: HK\$1,528 million). As at 30 September 2022, net current assets amounted to approximately HK\$54 million (31 March 2022: HK\$246 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.07 times (31 March 2022: 1.30 times). Such changes were affected by the provision for impairment of stock of properties made as at 30 September 2022 for the property development project in Zigong City.

The net cash outflow from operating activities was approximately HK\$20 million (2021: inflow of approximately HK\$9 million) and the net cash inflow from investing activities was approximately HK\$6 million (2021: outflow of approximately HK\$45 million). Taking into account the net cash outflow from financing activities of approximately HK\$9 million (2021: HK\$21 million), the Group recorded a net decrease in cash and cash equivalents of approximately HK\$23 million (2021: HK\$57 million). After accounting for the exchange loss on cash and cash equivalents of approximately HK\$0.3 million during the period under review, the balance of cash and cash equivalents (excluding restricted bank balance of approximately HK\$7 million) amounted to approximately HK\$31 million as at 30 September 2022 (31 March 2022: HK\$54 million).

Shareholders' funds attributable to owners of the Company decreased by 33% to approximately HK\$440 million (31 March 2022: HK\$653 million), representing HK\$0.08 per share (31 March 2022: HK\$0.11 per share) as at 30 September 2022. The change in equity was resulted from the net loss for the period of approximately HK\$173 million and the Renminbi exchange loss arising from translation of foreign operations of approximately HK\$40 million during the period under review.

Review of operations and business development

Property development business

The property development business involves the development, sale and trading of real estate properties principally in Mainland China. It recorded an operating loss of approximately HK\$162 million (2021: HK\$228 million) for the period. The operating loss was mainly resulted from the provision for impairment of stock of properties relating to the high-end residential villas and car parks of approximately HK\$153 million (2021: HK\$219 million) for the property development project in Zigong City, as being affected by the liquidity crisis of developers to recoup cash by lowering price and the escalating inflationary construction costs. The project contributed revenue of approximately HK\$35 million (2021: HK\$46 million) to the Group, which was generated from the delivery of residential units with gross floor area of approximately 2,200 square meters (“sq m”) (2021: 3,800 sq m) during the period. The performance of the business is expected to have considerable improvement in the second half of the financial year ending 31 March 2023, which there will have scheduled delivery of presold residential units at the Zigong City C1-10 land plot Yongyaju phase II with gross floor area of more than 32,000 sq. m. and contract sales of over HK\$152 million will be recognised.

On 1 August 2019, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project (中港•樂海森林項目), located in the high-tech industrial development zone of the Yanluyu District of Wolong Lake in Zigong City, Sichuan Province, the PRC (中國四川省自貢市高新技術產業開發區臥龍湖鹽鹵浴片區). Despite the gross floor area of approximately 190,000 sq m being sold and delivered before the date of acquisition, the three plots of land have an aggregate remaining gross floor area of approximately 500,000 sq m available for sales recognition subsequent to 1 August 2019. As at 30 September 2022, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 460,200 sq m had been delivered to customers and residential units under development with gross floor area of approximately 12,000 sq m had been presold and not yet delivered. As at 30 September 2022, the total carrying value after impairment provision of the completed properties for sale and properties under development in Zigong City amounted to approximately HK\$527 million (31 March 2022: HK\$692 million).

As at 30 September 2022, the Group also held 18 units of residential villas for sale at the estate Ju Hao Shan Zhuang (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC, with total gross floor area of approximately 5,600 sq m and carrying value of approximately HK\$51 million (31 March 2022: HK\$57 million). The management has negotiated with potential customers for sales of the properties and such negotiation is yet to conclude. With reference to the latest regional urban planning and development of Changsha City, the management is optimistic about the prospects of these higher-end residential properties and expects to bring substantial yield to the Group in the coming financial years.

Benefiting from the expertise of our residential development projects, the Group is exploring business opportunities in the market to expand the property development business.

Printing business

The printing business includes the manufacture and sale of printed products, including art books, packaging boxes and children's books, with the production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating profit of approximately HK\$3 million (2021: HK\$6 million) for the period under review.

The revenue of the printing business recorded a decrease to approximately HK\$106 million (2021: HK\$137 million) for the period under review. However, the profit margin similar to last financial year was being maintained by adopting various cost control measures and by enhancing its competitive edge in innovative design, quality management and production resources. The management also reacts promptly to reduce the market challenges to a minimum by devising various modernised sourcing, manufacturing, distribution, logistics and market segmentation solutions.

The management remains cautiously optimistic about the growth momentum in the global book printing and paper packaging markets, and appropriate risk management and prompt business deployment have been carried out to channel threats into growth opportunities.

Property investment business

The property investment business involves the investment and leasing of real estate properties, which recorded an operating loss of approximately HK\$6 million (2021: profit of approximately HK\$4 million) for the period under review. The operating loss was mainly attributed to the unrealised revaluation loss of the investment properties located in Hong Kong and Mainland China of approximately HK\$7 million (2021: HK\$0.2 million), which their market values as at 30 September 2022 were affected by the weak market sentiment resulting from the temporary quarantine measures for the novel coronavirus.

As at 30 September 2022, the Group held the following investment properties carried at fair market value of approximately HK\$387 million (31 March 2022: HK\$407 million):

Location	Gross Floor Area	Usage
Investment properties in Hong Kong		
Shop B, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon	1,014 square feet (“sq ft”)	Commercial
Shop D, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon	1,293 sq ft	Commercial
Shops 3, 4, 5, Parkes Residence, No. 101 Parkes Street, Kowloon	2,090 sq ft	Commercial
Investment properties in Mainland China		
Level 6, Chengdu Digital Plaza, No. 1 Renmin South Road Fourth Portion, Wuhou District, Chengdu City, Sichuan Province, the PRC	4,255 sq m	Commercial
Units 01, 02, 03, 06 and 07, 38th Floor, R&F Yingkai Square, No. 16 Huaxia Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	895 sq m	Office

The Group remains cautiously optimistic about the prospects of the property investment business. The portfolio of investment properties was acquired for long term investment purpose so as to provide a stable income stream to the Group. The Group keeps on monitoring the capital change and rental yields of the portfolio and considers to rebalance the investment portfolio when ideal opportunities arise.

Treasury business

The treasury business involves the investment and trading of debts, equity and other treasury instruments, as well as the licensed regulated activities namely advising on securities (Type 4) and asset management (Type 9) in Hong Kong commenced during the period. An operating loss of approximately HK\$1 million (2021: HK\$0.5 million) was recorded for the period under review. The operating loss was mainly attributed to a fair value loss of financial assets of approximately HK\$0.7 million (2021: HK\$0.5 million) during the period.

As at 30 September 2022, the Group held high-yield listed corporate bonds carried at mark-to-market valuation of approximately HK\$1 million (31 March 2022: HK\$2 million), equivalent to approximately 0.1% (31 March 2022: 0.1%) of the Group's total assets. The corporate bonds held by the Group as at 30 September 2022 represented bonds issued by a Hong Kong listed property developer with maturity within one year.

The Group remains cautious to monitor the investment portfolio's underlying price risk and credit risk by adopting an optimal risk-return balance investment strategy. In order to capture opportunities in the Hong Kong asset management market emerging from being a leading global financial hub with wealth management connect in the Greater Bay Area, the Group is exploring into the financial and asset management services markets.

Liquidity and capital resources

As at 30 September 2022, the Group's total assets amounted to approximately HK\$1,299 million (31 March 2022: HK\$1,528 million), which were financed by shareholders' funds and various credit facilities. Banking facilities are maintained to finance the Group's working capital and committed capital expenditures, which bear interest at market rate with contractual terms of repayment ranging from within one year to four years. The Group adopts a treasury policy to maximise the return on equity, which manages the funding requirements for new capital projects by considering all available options including a hybrid of debt and equity financing.

The Group mainly generated income and incurred costs in Hong Kong dollar, Renminbi and United States dollar. During the period, no financial instruments had been used for hedging purpose, and no foreign currency net investments had been hedged by currency borrowings or other hedging instruments. The Group manages the exposures of fluctuation on exchange rate and interest rate on individual transaction basis.

As at 30 September 2022, the Group's bank borrowings amounted to approximately HK\$170 million (31 March 2022: HK\$175 million) and were repayable on demand or within one year. The bank borrowings bore interest at floating rate, approximately HK\$164 million (31 March 2022: HK\$166 million) of which were denominated in Hong Kong dollar, approximately HK\$5.5 million (31 March 2022: HK\$9 million) of which were denominated in Renminbi and approximately HK\$0.5 million (31 March 2022: HK\$0.1 million) of which were denominated in United States dollar. The Group's gearing ratio was 0.39 (31 March 2022: 0.27), which was calculated based on the ratio of total bank borrowings of approximately HK\$170 million (31 March 2022: HK\$175 million) to the shareholders' funds of approximately HK\$440 million (31 March 2022: HK\$653 million).

As at 30 September 2022, the Group's cash and cash equivalents balance amounted to approximately HK\$38 million (31 March 2022: HK\$69 million), which included restricted bank balance of approximately HK\$7 million (31 March 2022: HK\$15 million). Approximately HK\$24 million (31 March 2022: HK\$25 million) of the Group's cash and cash equivalents were denominated in Hong Kong dollar, approximately HK\$1 million (31 March 2022: HK\$9 million) were denominated in United States dollar, approximately HK\$13 million (31 March 2022: HK\$34 million) were denominated in Renminbi and approximately HK\$0.2 million (31 March 2022: HK\$1 million) were denominated in other currencies. As at 30 September 2022, the Group had a net debt position (being bank borrowings net of cash and cash equivalents) of approximately HK\$132 million (31 March 2022: HK\$106 million).

Outlook

The post-pandemic global economic recovery continues, while the supply chain disruption and inflation dynamics pose challenges to the recovery momentum. Central banks worldwide are trying to alleviate the threat to economic growth and labor market recovery brought by rising interest rate and liquidity tightening. Consequently, investors are becoming more cautious and conservative, with growing interest in making quality impact investments and capturing alternative market opportunities with strong fundamentals to achieve investment diversification. The change in investment sentiments has also induced the volatility in evaluating the real estate investing and fixed-income investing returns.

The Group has succeeded in refining its development strategy to expand the property development business and has brought substantial business growth to the Group. The Group remains optimistic about the economic benefits to be brought by the project's competitive edges through its expertise resources and privileged natural environment. Leveraging on the effective risk management and internal control systems, we are staying particular alert to market value volatility of our investment portfolios. Anchored by decades of remarkable operation of the printing business, we are seeking further business development in growth-enhancing investment opportunities of various industries.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group provided financial guarantees in respect of mortgage loans made by certain banks to certain purchasers of the properties in the PRC, either directly provided to the banks or to the housing provident fund management center who arranged the bank mortgage, which amounted to approximately HK\$1,336 million (31 March 2022: HK\$1,369 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2022, the Group employed 200 staff and workers (31 March 2022: 237). The Group provides its employees with benefits including performance-based bonus, retirement benefits contribution, medical insurance and staff training. Also, the Company has adopted a share option scheme to provide alternative means to align the employees' career goal with the Group's business strategy.

PLEDGE OF ASSETS

As at 30 September 2022, the Group pledged certain assets including right-of-use assets under property, plant and equipment, owned assets under property, plant and equipment, investment properties and accounts receivable with an aggregate carrying value of approximately HK\$289 million (31 March 2022: HK\$289 million) to secure bank facilities of the Group. The bank facilities of the Group are also secured by equity interests in certain subsidiaries of the Group.

COMMITMENTS

As at 30 September 2022, the Group did not have capital expenditure contracted for but not provided for in the consolidated financial statements (31 March 2022: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2022.

EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK\$128,000,000 which the Group breached financial covenants during the six months ended 30 September 2022, the Group further entered into a legally binding supplemental agreement with the bank on 24 November 2022 for amendments of the relevant financial covenants, and the Group did not breach the latest financial covenants. The repayment schedules of the borrowing and the repayment on demand clause remained unchanged.

CORPORATE GOVERNANCE

The Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 September 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2022.

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 September 2022, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

REVIEW CONCLUSION

The auditor of the Group will issue a review conclusion with an emphasis of matter on the unaudited interim condensed consolidated financial information of the Group for the period under review. The emphasis of matter describes the conditions and matters as set out in note 2 to the interim condensed consolidated financial statements that indicate the existence of material uncertainties which may cast significant doubt over the Group’s ability to continue as a going concern. Auditor’s conclusion is not modified in respect of this matter.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities which are listed and traded on the Stock Exchange (2021: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mcgroup.hk). The interim report of the Company for the six months ended 30 September 2022 containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

We would like to take this opportunity to express our gratitude to our shareholders, customers and partners for their continuous support and confidence in the Group, as well as our appreciation to our executives and staff for their dedication and contribution throughout the period.

By Order of the Board
Magnus Concordia Group Limited
Zeng Zhu
Director

Hong Kong, 30 November 2022

As at the date of this announcement, the executive directors of the Company are Ms. Zeng Zhu, Mr. Liang Fan and Mr. Huang Zhidan, and the independent non-executive directors of the Company are Mr. Xu Jianfeng, Mr. Wang Zhengjun and Mr. Liu Ying Shun.